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OUTGOING

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IMMEDIATE

FRP:

STAFF

OUTGOING
MESSAGE

[REDACTED]

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PAGE 001
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[REDACTED]

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BRIEF

TO: IMMEDIATE

ROUTINE MEA BRIEF.

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[REDACTED]

[REDACTED]

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SUBJECT: MIDDLE EAST ASIA BRIEF
1987.

FOR 18 FEBRUARY

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FROM: DDI/O/CPAS.

ITEMS

1. SOUTH AFRICA: SEEKING TO FUEL ECONOMIC RECOVERY
2. [REDACTED]
3. IN BRIEF

b1, b3

1. SOUTH AFRICA: SEEKING TO FUEL ECONOMIC RECOVERY

PRETORIA HAS INTRODUCED A STIMULATIVE BUDGET AND IS ASKING INTERNATIONAL CREDITORS TO EXTEND THE CURRENT FREEZE ON SOME DEBT REPAYMENTS IN AN EFFORT TO CONTINUE ITS MODEST ECONOMIC RECOVERY.

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PRELIMINARY DATA INDICATE THE SOUTH AFRICAN ECONOMY ACHIEVED REAL GDP GROWTH OF 1 PERCENT FOR 1986, SPURRED BY A SHARP DECLINE IN REAL INTEREST RATES, INCREASED DOMESTIC SPENDING, AND HIGHER-THAN-EXPECTED GOLD AND PLATINUM PRICES. CONSUMER SPENDING REBOUNDED IN THE SECOND HALF OF THE YEAR AS FALLING INTEREST RATES, THE GOVERNMENT'S SUCCESS IN SUPPRESSING DOMESTIC UNREST, AND A PERCEPTION THAT WESTERN SANCTIONS WILL HAVE LITTLE IMPACT BUOYED

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Approved for Release
Date JUN 1999

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CONSUMER CONFIDENCE. BUSINESS INVESTMENT REMAINED DEPRESSED, BUT GOVERNMENT SPENDING ON REAL FIXED INVESTMENTS ROSE.

THE LATEST BUDGET IS TEMPORARY, AND THE FINAL VERSION WILL NOT BE PRESENTED UNTIL AFTER THE ELECTION IN MAY. THE BUDGET CALLS FOR CUTS IN INCOME TAX RATES AND REPAYMENT OF SOME GOVERNMENT DOMESTIC DEBT TO BOOST REAL INCOMES ERODED BY INFLATION. THE GOVERNMENT ALSO IN PROMISING AN AS YET UNSPECIFIED PAY HIKE FOR CIVIL SERVANTS-- NEARLY A HALF OF ALL WHITES--FOR LATER IN THE YEAR.

SOUTH AFRICA WILL ASK TO PAY OFF ONLY SLIGHTLY MORE THAN THE 5 PERCENT OF OUTSTANDING DEBT, AS IT DID THIS YEAR, INSTEAD OF THE 15 PERCENT THE CREDITORS WANT.

SOUTH AFRICA'S NEAR-TERM ECONOMIC PROSPECTS HAVE IMPROVED, BUT CONSUMER AND BUSINESS CONFIDENCE REMAIN SENSITIVE TO POLITICAL UNREST. PRETORIA'S CREDITORS ARE SATISFIED WITH THE BASIC STRUCTURE OF THE CURRENT DEBT ACCORD AND WILL PROBABLY AGREE TO KEEP DEBT REPAYMENT AT APPROXIMATELY THE CURRENT RATE, IN ORDER TO PROTECT THEIR LONG-TERM INTERESTS.

3. IN BRIEF
MIDDLE EAST

--CHRISTIAN ADVISER TO LEBANESE PRESIDENT GEMAYEL RELEASED ON SUNDAY . . . APPARENTLY KIDNAPED BY HIZBALLAH FAMILY TO SWAP FOR KINSMAN HELD BY CHRISTIANS . . .

MUJAHEDIN-E KHALK RESPONSIBLE FOR BOMBING IN MASHHAD THAT WOUNDED PRESIDENT KHAMENEI'S BROTHER AND FOR ASSASSINATION OF EDUCATION MINISTRY OFFICIAL . . . LEFTIST ORGANIZATION'S FIRST ATTACKS AGAINST OFFICIALS IN SEVERAL YEARS.

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